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SIPDIS

SENSITIVE

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SUBJECT: GLOBAL FUND'S EFFECTIVENESS IN MALAWI STIFLED

1. (SBU) The Global Fund's effectiveness in Malawi, the largest HIV/AIDS award recipient, has been stifled by operational and administrative problems. The goal of "limited oversight" has become unstructured and unwritten operational guidelines that are often confusing rather than liberating. The "new way of doing business" has created ever changing methods of operation that do not always consider constraints on the ground. The "rapid roll-out" of ARVs has caused funding announcements to get ahead of administrative support systems, resulting in the impeded movement of funds. Clear guidelines and increased communication with the Global Fund Secretariat would likely give Malawi's principal recipient, the National AIDS Commission (NAC), the confidence needed to implement programs quickly and effectively.

2. (SBU) Currently, Malawi has three primary obstacles to effectively using Global Fund for AIDS, TB, and Malaria (GFATM) money:

-- Changed guidelines have led to NAC's submission of several human capacity development and salary supplement components in its revised work plan. This new policy may result in "top-ups" on some government employees' salaries and a scramble by health care professionals to NAC-funded institutions, creating even larger staffing gaps in regular health care facilities.

-- UNICEF, charged with procurement and distribution of ARV drugs, has had serious administrative problems with delivering drugs. From the release of funding for ARVs in January 2004, it took five months to procure the first shipment of drugs. Similar delays in the future could interrupt patients' treatment regimes.

-- The GFATM has recently called into question the sufficiency of NAC and its sub-grantees' financial management systems. According to the GFATM's Local Fund Agent (LFA), all grantees, whether receiving funding directly or indirectly, must undergo initial and annual audits. This seemingly new requirement makes problematic NAC's original plan to funnel funding through community-based and faith-based organizations. NAC fears many local organizations will legitimately not be able to fulfill audit requirements. NAC has thus put all sub-grant funding on hold until the issue is resolved.

#### BACKGROUND

3. (SBU) When Malawi submitted its initial proposal to the Global Fund in 2002, the GFATM noted that "absorptive capacity" of funds, human resources constraints, and health system overload would be serious challenges for Malawi to overcome. In mid-2002, the GFATM approved a revised version of Malawi's proposal, which reduced funding for technical assistance, monitoring, and evaluation, and awarded the National AIDS Commission (NAC) USD 196 million over the following five years. A series of miscommunications and inadequate work plans, owing to changing information from the GFATM and misunderstandings by NAC, delayed the first tranche of real money (USD 9.5 million) until early 2004.

#### COMMENT

4. (SBU) While many of these problems will have to be resolved by NAC and its local partners, increased communication with the Global Fund Secretariat would likely lead to smoother operations. Specific written guidelines (yet not concrete policies) and direct communication with administrative and technical staff (not filtered through portfolio managers) would help NAC understand more clearly how it can and cannot implement programs, giving it the confidence necessary to lead the Global Fund initiative in Malawi. END COMMENT.  
DOUGHERTY